

Message Text

LIMITED OFFICIAL USE

PAGE 01 TOKYO 10099 021037Z

50

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 FEA-02 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15

ABF-01 FS-01 DRC-01 /187 W

----- 076513

R 020952Z AUG 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3709

INFO AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL USE TOKYO 10099

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: NA

TAGS: EFIN JA

SUBJ: FOREX DEVELOPMENTS

REF: A. TOKYO 9062 B. TOKYO 9914

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TOKYO 10099 021037Z

SUMMARY: SPOT YEN RATE BROKE THROUGH 300 YEN PER DOLLAR LEVEL ON FRIDAY, AUGUST 2. SPOT TRADING VOLUME HEAVY. END SUMMARY.

1. ON AUGUST 2 SPOT YEN RATE OPENED AT 299.70 YEN PER DOLLAR AND DURING DAY TRADED AS LOW AS 304.4 YEN PER DOLLAR. CLOSING RATE REGISTERED 301.0 YEN PER DOLLAR, WITH REPRESENTATIVE RATE FOR DAY AT 299.8. THIS REPRESENTS FIRST TIME SINCE FEBRUARY 1973 (BEGINNING OF YEN FLOAT) THAT YEN/ DOLLAR RATE HAS EXCEEDED 300 YEN PER DOLLAR LEVEL. TOTAL VOLUME IN SPOT MARKET REGISTERED 133.4 MILLION DOLLARS. FORWARD RATES ALSO DECLINED CONSIDERABLY, WITH 3-MONTH FORWARD MOVING TO PREMIUM OVER SPOT AT 303.0 YEN PER DOLLAR (PREMIUM OF 4.27 PERCENT) ON AUGUST 2. SIX MONTH FORWARD CLOSED AT 299.55 YEN PER DOLLAR (DISCOUNT OF 0.17 PERCENT). TOTAL VOLUME IN FORWARD MARKET REGISTERED 77.9 MILLION DOLLARS. TOTAL SWAP MARKET VOLUME 4.6 MILLION DOLLARS.

2. AS REPORTED IN REFTELS, YEN HAS BEEN STEADILY WEAKENING ON TOKYO FOREX MARKET IN RECENT SEVERAL WEEKS. BOJ OFFICIAL REITERATES THAT PROBLEM IS ONE OF HEAVY DEMAND FOR FOREIGN EXCHANGE WITH LITTLE AVAILABILITY ON SUPPLY SIDE. SAME OFFICIAL CONTINUES TO REMAIN PESSIMISTIC REGARDING INCREASE IN SUPPLY OF FOREIGN EXCHANGE ON MARKET SINCE AUGUST EXPORTS ALMOST CERTAIN TO BE OFF DUE TO SEASONAL PATTERN (VACATIONS, ETC.). TOTAL IMPORT BILL, HOWEVER, WILL REMAIN HIGH. REGARDING AUGUST 2 BREAK THROUGH 300 YEN PER DOLLAR LEVEL, BOJ SOURCE STATED THAT EXPECTED DEMAND FOR FOREIGN EXCHANGE ON MONDAY, AUGUST 5 ANTICIPATED A 300-400 MILLION DOLLARS (INCLUDING USANCE CREDITS FALLING DUE OVER WEEKEND AUGUST 3-4), WHILE OUTLOOK FOR EXPORT BILL PURCHASES (SOURCE OF DOLLAR FUNDS) IS POOR FOR SAME PERIOD, IN AREA OF 100-150 MILLION DOLLARS. UPON QUERY BY ASST FINATT, SAME OFFICIAL INDICATED HE WOULD NOT BE SURPRISED TO SEE RATE MOVE AS FAR AS 310 YEN PER DOLLAR LATER THIS MONTH.

3. REGARDING BOJ INTERVENTION, ASST FINATT WAS TOLD THAT INTERVENTION HAD BEEN VERY MODERATE OR "SYMBOLIC" LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TOKYO 10099 021037Z

DURING WEEK JULY 29 AUG 2. TOTAL OF ONLY APPROXIMATELY 40 MILLION DOLLARS WAS SOLD BY BOJ, 20 MILLION DOLLARS ON MONDAY, JULY 29 AND APPROX 20 MILLION DOLLARS ON FRIDAY, AUG 2. PREVIOUS WEEK (JULY 22-26), BOJ OFFICIAL INDICATED INTERVENTION TOOK PLACE ONLY ON FRIDAY, JULY 26 AND TOTALLED ONLY FEW MILLION DOLLARS. BOJ SEEMINGLY RELUCTANT TO ENGAGE IN HEAVY AMOUNTS OF DOLLAR SALES. HOWEVER, SUPPLY DEMAND GAP FOR DOLLARS IN COMING DAYS AND WEEKS EXPECTED

TO BE SIGNIFICANT, WHICH MAY NECESSITATE INCREASINGLY HEAVIER INTERVENTION ON PART OF BOJ.

4. EMBASSY HAS ALSO HAD NUMEROUS INDICATIONS FROM PETROLEUM INDUSTRY, GOVERNMENT, AND BANKING SOURCES THAT WEAKENING YEN DRIVING OIL IMPORT BILL TO UNACCEPTABLE HEIGHTS. CURRENT CONTROLLED WHOLESALE PRICE LEVEL ON PETROLEUM PRODUCTS CALCULATED LAST MARCH ON BASIS 290 YEN TO DOLLAR AND WAS DESIGNED TO GIVE PETROLEUM INDUSTRY A CUSHION THAT IS NOW GONE. ACCORDING TO ONE ESTIMATE, A TEN YEN CHANGE IN EXCHANGE RATE TRANSLATES INTO YEN 440 MILLION PER DAY CHANGE IN JAPAN'S OIL IMPORT BILL. THUS THE WEAKER THE YEN RATE BECOMES, GREATER IS EFFECT OF HIGHER OIL IMPORT PRICES IN AGGRAVATING DOLLAR SUPPLY-DEMAND GAP.
HODGSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN MARKETS, FOREIGN EXCHANGE RATES, YEN (CURRENCY), FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO10099
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740210-1008
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740876/aaaacntr.tel
Line Count: 131
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. TOKYO 9062 B. TOKYO 9914
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by shawdg>; APPROVED <25 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREX DEVELOPMENTS
TAGS: EFIN, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005